



DEFENSE FINANCE AND ACCOUNTING SERVICE

8899 EAST 56TH STREET
INDIANAPOLIS, INDIANA 46249

August 27, 2013

MuckRock News
Dept MR 5504
PO Box 55819
Boston, MA 02205-5819

Dear Mr. Michael Morisy,

This is in response to your Freedom of Information Act request that we received on May 6, 2013 requesting copy of all responses sent to Congressional committees between January 1, 2008 and the date of your request. Your request was assigned case number 13-HQ-1060; please refer to this number when inquiring about your request.

The attached documents are responsive to your request and are being released in full; any questions concerning this matter should be directed to me at the following number, 317-212-8803.

Sincerely,

A handwritten signature in black ink, reading "Cedric D. Davis", is positioned above the printed name.

Cedric D. Davis
Government Information Specialist
Corporate Communications

Enclosure:
As stated

□ 1851 SOUTH BELL STREET
ARLINGTON, VA 22240-5291



□ 8899 EAST 56TH STREET
INDIANAPOLIS, IN 46249

DEFENSE FINANCE AND ACCOUNTING SERVICE

The Honorable Thomas R. Carper
Chairman, Subcommittee on Federal Financial Management
Committee on Homeland Security and Governmental Affairs
United States Senate
Washington, DC 20510-6250

AUG 25 2011

Dear Mr. Chairman:

The Defense Finance and Accounting Service (DFAS) welcomes the opportunity to respond to your letter dated August 15, 2011. As the DFAS progresses toward excellence in debt management, we continue to identify opportunities to improve training, business practices, and internal controls to ensure we properly manage the taxpayers' resources and maximize our effectiveness.

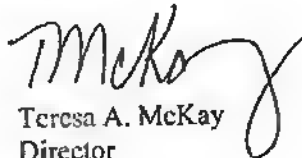
Regarding our contractor payment operations, we work diligently for the Department of Defense (DoD) to identify process enhancements to prevent overpayments, to process contractor debts, and to promptly collect all overpayments in compliance with all Federal debt collection laws and regulations. For example, the DFAS has developed and implemented procedures for identifying overpayments, and capturing the proper supporting documentation necessary for collection. From 2005 to 2010, the DFAS achieved an 89 percent overall collection rate which exceeds the 85 percent target payment recapture rate set by the Office of Management and Budget.

The DFAS commitment to continuous improvement in debt management is demonstrated by our Accounts Receivable operations successfully increasing the number of contractor debts referred to the Department of Treasury by a factor of five in 2010 and our periodic reviews of all open debts to ensure collections are consistently pursued and accurately posted in DoD financial systems. By calendar year end, the DFAS will have implemented a new program that will enhance our capability to collect contractor debts via internal DoD offsets across all the commercial payment systems utilized by the DoD.

Although the DFAS processes a large number of DoD contractor and vendor debts, other DoD organizations process contractor and vendor debts including: (i) the U.S. Army Corps of Engineers; (ii) the Service Medical Activities; and several other defense agencies, such as the TRICARE Management Activity.

Regarding your specific questions, summaries of contractor debt collection activities at the DFAS for fiscal years 2005 through 2010 are enclosed for your reference. Each response includes a brief narrative explaining the tables developed for each request. We hope this information is helpful. If you should require further assistance or clarification, please contact Ms. Roxanne Olson, Action Legislative Liaison, by calling 317-212-7277.

Sincerely,


Teresa A. McKay
Director

Enclosures:
As stated

cc:
The Honorable Scott P. Brown
Ranking Member

Item (1)

- The following table provides dollar amounts of contractor overpayments, regardless of cause (e.g. contractor overbillings, overpayments, and duplicate payments) for which a demand for payment was issued to the vendor and the related accounts receivable was properly reflected in the Department's financial reports. Further, we have included a comparison of the annual and total overpayments for the requested years to the total dollar value of commercial payments disbursed to proportionately demonstrate the performance for the Department.

Overpayments as a % of DoD Commercial Disbursements (Millions)

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	Total
Total Payments	\$276,730	\$299,437	\$319,730	\$366,362	\$384,165	\$400,566	\$2,046,993
Overpayments	\$63.9	\$137.1	\$120.4	\$213.9	\$427.5 ⁽¹⁾	\$167.0	\$1,129.8
Percentage	.02%	.05%	.04%	.06%	.11%	.04%	.06%

Note ⁽¹⁾ – The 2009 figures included \$264 million in cost contract payments that were proper payments at the time of disbursement. A subsequent review by contract administration authorities outside of the DFAS determined that cost adjustments were necessary resulting in the establishment of \$ 264 million in debts.

Item (2)

- The following table summarizes the dollar amounts of contractor overpayments collected and pending collection by fiscal year, and in the various categories of the debt management life cycle. Credit invoices issued are not displayed because DoD uses offset procedures against future invoices. This data provides that the DFAS achieved an 89% overall collection rate for the requested time period which exceeds the 85% target payment recapture rate set by the Office of Management and Budget and we continue to pursue the remaining balance of debts that can be collected by the DFAS.

Current Debt Status as of August 16, 2011 (Millions)

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	Total
Bankruptcy	0.2	0.8	0.1	0.1	0.0	0.0	1.2
Transferred	0.0	0.5	0.0	0.2	0.0	0.0	0.7
Collected	58.7	107.0	102.1	207.3	388.9	145.4	1,009.4
Still Open ⁽²⁾	1.7	27.4	8.4	5.3	37.6	20.8	101.2
Written-off	3.3	1.5	9.9	1.0	1.0	.8	17.5
Total	\$ 63.9	\$ 137.2	\$ 120.5	\$ 213.9	\$ 427.5	\$ 167.0	\$ 1,130.0
% Collected	91.9%	78.0%	84.8%	96.9%	91.0%	87.1%	89.3%

Note ⁽²⁾ – The “Still Open” category includes debts that cannot currently be collected by the DFAS because they are either in litigation, forbearance, administrative proceeding (such as an action before the Armed Services Board of Contract Appeals), or have been referred to Treasury or the Department of Justice. Currently, the DFAS can only collect approximately 25% of the \$101.2 million in the “Still Open” category of debts.

Item (3)

- The Department utilizes all available vehicles for collecting contract overpayments to include the Department of the Treasury and the Department of Justice. The table below summarizes the overpayments referred to these Agencies by fiscal year, debt count, and dollar value.

Referrals to Treasury (Millions)

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	Total
Quantity	121	145	114	122	127	634	1,263
Dollars	\$ 1.4	\$ 11.8	\$ 4.8	\$ 3.3	\$ 4.8	\$ 10.7	\$ 36.8

Referrals to Department of Justice (Millions)

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	Total
Quantity	0	0	7	1,381	6	4	1,398
Dollars	\$ 0.0	\$ 0.0	\$ 1.0	\$ 0.4	\$ 4.4	\$ 2.0	\$ 7.8

Item (4)

- Data for the number of debts compromised and terminated is not available in our database under these classifications. Amounts compromised and terminated are closed by collecting the compromised amounts and writing the remaining balance off (see table above). However, debts suspended for various reasons are classified as such and are summarized in the following table.

Suspension of Debts (Forbearance)

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	Total
Quantity	0	0	0	0	1	0	1
Dollars(Millions)	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 16.1	\$ 0.0	\$ 16.1

Item (5)

- The Department ages account receivable balances for contractor overpayments to manage amounts due and identify problem areas during the life cycle of the receivable. The following table summarizes the universe of uncollected overpayments as of August 16, 2011 by reporting the total dollar values by the various age categories.

Age of Open Debts (Includes FYTD 2011 Overpayments)

	# of Debts	% of Total	Original Debt \$s (Millions)	% of Total	Principal Balance \$s (Millions)	% of Total
0-3 Months	778	20.7	41.9	27.5	41.5	31.9
3-6 Months	159	4.2	3.5	2.3	3.0	2.3
6-9 Months	64	1.7	2.0	1.3	1.8	1.4
9-12 Months	241	6.4	5.4	3.6	4.9	3.8
1-2 Years	515	13.7	21.4	14.0	10.5	8.1
2-5 Years	1,831	48.6	63.3	41.5	54.1	41.6
>5 Years	178	4.7	15.0	9.8	14.2	10.9
Total	3,766	100.0	\$ 152.6	100.0	\$ 130.0	100.0